

27 April 2004

**The Manager, Company Announcements
Australian Stock Exchange Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000**

Dear Sir,

**HORIZON OIL (HZN) SPUDS APPRAISAL WELL IN BLOCK 22/12,
OFFSHORE CHINA**

Horizon Oil advises that on 25 April 2004 the Nanhai IV jack-up rig started drilling the Wei 12-8-3 appraisal well in approximately 33 m of water, 800 m north of the Wei 12-8-2 discovery well (see attachment). The well is expected to take up to 14 days to drill, core, log and fully evaluate, including the acquisition of a 3D VSP seismic survey, to a planned total depth of approximately 1,311 m, prior to plugging and abandonment – which will be undertaken regardless of the results of the well – and rig release.

The 12-8 East (12-8-2) field was discovered by the China National Offshore Oil Corporation (“CNOOC”) in 1994. The well encountered an 8 m oil column in the Miocene Jiaowei sands at a depth of 930 m. A production test flowed 2,355 bopd of 21 degree API oil. Reservoir quality is excellent, with permeability in excess of one Darcy. The structure is a simple four-way dip closure with reservoir draped over a basement high.

The primary objectives of the Wei 12-8-3 well are to confirm structural configuration of the reservoir and to accurately determine oil properties, particularly viscosity, in order to optimise well planning for a potential field development. On the basis of expected viscosity and other parameters, Horizon Oil’s consultant, RISC Pty Ltd, estimates technically recoverable reserves for the 12-8 East field of 27 mmbo.

A secondary objective is to test a deeper target near basement level, which displays a seismic amplitude anomaly.

The 22/12 Block is located in the Beibu Gulf, offshore south China. The joint venture comprises:-

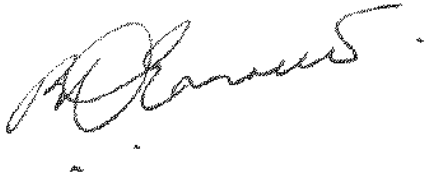
Horizon Oil Limited (HZN)	30%
Roc Oil (China) Company (ROC)	40% (Operator)
Petsec Petroleum Incorporated (PSA)	25%
Oil Australia Pty Limited (FAR)	5%

The above interests will be proportionately reduced if CNOOC exercises its option to participate at a level of 51%, which is considered likely in the case of field development.

Reporting

Given the short drilling time, Horizon Oil intends to advise shareholders of the well results at total depth and other significant events, as soon as these are confidently known. It is not generally our policy in these circumstances to provide daily drilling bulletins, because of the often misleading nature of incomplete information.

Yours faithfully,



B D Emmett
Chief Executive Officer



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BEIBU GULF CHINA PROSPECTS AND LEADS

Horizon Oil

